

Figures as of	December 31, 2013
Net Asset Value	USD 122.55, CHF 84.96, EUR 114.39
Fund Size	USD 131.6 million
Inception Date*	May 27, 2003
Cumulative Return	248.5% in USD
Annualized Return	12.5% in USD

* The track record is the combination of two consecutive track records of China Investment Corporation (CIC) and HSZ China Fund (HCF). From May 27, 2003 to November 17, 2006 it is the performance of CIC, a trust account managed by HSZ (Hong Kong) Limited for listed Chinese equities. Since the launch of HCF on November 17, 2006 it is the performance of HCF.

Net Asset Value (Monthly)



Performance

	December	YTD	1 Year	Nov 17, 06
USD Class	(1.4%)	3.7%	3.7%	22.6%
CHF Class	(3.1%)	1.1%	1.1%	(15.0%)
EUR Class	(2.6%)	(0.4%)	(0.4%)	14.4%

Largest Holdings

Sands China	8.8%	
Ping An Insurance	8.0%	
China Merchants Bank	7.7%	
Baidu Inc.	6.0%	
Wharf Holdings	4.9%	
Mindray Medical	4.8%	

Exposure

Consumer Discretionary	32.0%	
Financials	31.8%	
Industrials	12.3%	
Consumer Staples	11.1%	
Communications	9.1%	
Cash	2.0%	

Newsletter December 2013

- China's work conference focuses on pushing through reforms
- Baidu opens its light app platform to developers
- Wharf plans to open its Chengdu IFS in January 2014
- Weichai continues to benefit from the strong pick up in trucks

The annual central economic work conference concluded on December 13, where the leadership set the tone for economic policies and reform agenda for 2014. The policy makers set pushing through reforms and controlling local government debt as high priorities and is prepared to tolerate a slower growth. Initiatives have been made to facilitate the absorption of those migrant workers who have been working and residing in the cities. A new mechanism will be formed to link fiscal transfers to local governments from the central with the pace at which the migrant workers are urbanized. Future urbanization will be people orientated, focusing on people's livelihoods and coordinated development among cities, which will help expand the domestic demand and enhance the overall productivity of the economy.

Baidu opened its light app platform to all the developers in early December. Given light apps allow instant uses without downloads and provide similar user experience with native apps, this will promote the use of low-frequency apps and accelerate the development of mobile search advertising. The number of light apps increased from 240 to 380 after two weeks of the official launch, including large enterprises such as P&G and Coca-Cola. For Baidu Post Bar, the largest interactive social platform based on common interests in China, Baidu now provides a customized front page and data mining services for its corporate users. The interest based characteristics of Post Bar will support more target-based advertising and will become a new promotion channel in the future.

Wharf planned to open its Chengdu's commercial complex, International Financial Space (IFS), in January 2014. The project is located near "Tian Fu Plaza", the traditional CBD of Chengdu. Wharf invited Mr. Lawrence Argent, the artist of "I See What You Mean" at Colorado Convention Center in Denver, to create a 15-meter-tall and 13-ton-weight panda sculpture named "I Am Here" at the complex. Wharf achieved 92 percent pre-lease of its retail mall at a compelling monthly rental rate of CNY 800-1'200 per square meter, which is similar to the spot rent charged at Harbour City and Times Square in Hong Kong.

Weichai reported a strong volume growth of 28 percent for its heavy-duty truck engines year-to-November, which was better than the consensus estimate and outperformed the industry's growth by 9 percentage points. Management is optimistic on the outlook next year as Weichai continues to benefit from the fast-growing e-Commerce in China and the surging demand for logistics. Linde Hydraulics will roll out a new hydraulics model customized for the Chinese market next year, which is currently dominated by foreign enterprises and is a lucrative business with high margins. With the best-in-class technology from Linde and the extensive distribution network of Weichai, management is confident that Linde will have at least 30 percent market share in the next few years.

General Information

Name	HSZ China Fund
Theme	Entrepreneurial China
Nature	Long-only equity fund, actively managed
Focus	Listed Chinese equities focusing on privately controlled companies

Structure	Swiss investment fund, regulated by FINMA, open-ended
Distributions	Income annually
Fiscal Year End	December 31
Reporting	Semi-annually in USD
Currency Classes	USD, CHF, EUR (all unhedged)
Trading	Daily issuance and redemption, based on net asset value

Fund Manager	Credit Suisse Funds AG
Custodian Bank	Credit Suisse AG
Investment Manager	HSZ (Hong Kong) Limited
Auditors	KPMG AG
Management Fee	1.5% annually
Performance Fee	10% above hurdle rate of 5%, high water mark
Issuance Fee	0.5%
Redemption Fee	None

USD Class	ISIN CH0026828035, Valor 2682803 WKN A0LC13 Bloomberg HSZCHID SW Equity
CHF Class	ISIN CH0026828068, Valor 2682806 WKN A0LC15 Bloomberg HSZCFCH SW Equity
EUR Class	ISIN CH0026828092, Valor 2682809 WKN A0LC14 Bloomberg HSZCHEU SW Equity
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Investment Opportunity

Once the world's largest trading power, China's gradual decline during the second millennium culminated in the Maoist purgatory. However, since the 1980s economic development has taken center stage. China has become the engine of the fastest growing region in the world attracting substantial foreign investments and developing into the world's manufacturing hub. Furthermore, an increasing middle class is fuelling demand for consumer products. The growth momentum is set to continue as China strives to catch up with mature economies, producing attractive investment opportunities.

Investment Strategy

The objective of HSZ China Fund is to create sustained shareholder value by acquiring and managing equity and equity-linked investments in a select number of high-quality companies that are rooted in China. At least two-thirds of the total assets are to be invested in companies which are domiciled in China or participate as holding companies in enterprises domiciled there. At most one-third of the total fund volume can be invested in equity oriented stocks and money market instruments of issuers worldwide. Based on fundamental analysis and a bottom up approach, investment opportunities are identified that are assessed to provide above-average return on invested capital, have strong earnings per share growth and are priced attractively.

Risk Management

The Chinese stock market has many of the particular risks and characteristics of emerging markets. HSZ (Hong Kong) Limited exerts itself for reducing specific risks by accurately screening and monitoring high quality assets. That is why the long-lived experience of its specialists based locally is invaluable for investors. The fund is well diversified to avoid concentration risk. The weight of each position in the portfolio is subject to a maximum limit of 15%. No portfolio leverage is employed. The fact that HSZ China Fund invests in listed equity provides the investor with a reasonable degree of liquidity.

Investment Manager

HSZ (Hong Kong) Limited is a Hong Kong based independent investment management company. Its investment team has been managing Asian equity portfolios since 1994.